**Comments of International Brotherhood of Electrical Workers Illinois State Conference, Illinois AFL-CIO,**
**and IBEW Local Union Nos. 51 and 702**
**Illinois Commerce Commission Initial Workshop on**
**MISO Zone 4 Resource Adequacy**
**November 30, 2017**

These comments are submitted by the International Brotherhood of Electrical Workers Illinois State Conference("IBEW"), Illinois AFL-CIO, and by IBEW Locals Nos. 51 and 702.We appreciate the opportunity provided by the Commissioners and Staff of the Illinois Commerce Commission ("ICC") to submit comments on the important topics of resource adequacy in the Downstate Illinois region and the ability of the Midcontinent Independent Transmission Operator's ("MISO") capacity market mechanisms to provide appropriate and adequate pricing that will enable Downstate Illinois generating units to remain in operation and support resource adequacy, low energy prices, and jobs, economic activity and local government financial support in the Downstate region.

Statewide, the IBEW has approximately 52,000 members. IBEW Local Union 51 is headquartered in Springfield, Illinois, and represents approximately 3,300 members. IBEW Local Union 51 serves as the collective bargaining representative of individuals employed by various companies in the electricity sector in Illinois, including Ameren Illinois, Dynegy, and Exelon Generating Company. Specifically, IBEW Local Union 51 represents a total of about 700 employees at Dynegy's Baldwin, Duck Creek, Edwards, Havana and Hennepin Power Stations and Exelon's Clinton Power Station. IBEW Local Union 702 is headquartered in West Frankfort, Illinois, and represents over 4,000 members in Southern Illinois, Southeast Missouri, and Southwest Indiana. IBEW Local Union 702 serves as the collective bargaining representative of individuals employed by Ameren companies and represents workers at Dynegy's Newton Power Station. Also, in terms of union representation, the International Union of Operating Engineers represents workers at Dynegy's Coffeen and Joppa Power Stations in Downstate Illinois. Additionally, IBEW Local Union 15 represents workers at Dynegy's Kincaid Power Station in Christian County, which, as a former Commonwealth Edison power plant, is interconnected to PJM.

At the Downstate power stations where IBEW represents workers, the jobs at the power plants are hands down the best jobs in the areas where the plants are located. These jobs provide good wages and benefits for the employees and their families. They are family-sustaining jobs. Additionally, during scheduled and unscheduled maintenance and retrofit outages at these plants, hundreds of workers from construction and maintenance contractors are often employed. In the areas where they are located, these plants are almost always the principal economic engine in those communities. The IBEW knows that it was made clear to the General Assembly last year, during the deliberations concerning the Future Energy Jobs Act, how critical the continued operation of the Clinton Power Station was and is to the economic vitality, employment opportunities, and financial viability of the local school district, municipalities and DeWitt County in that area.

The eight coal-fired power stations operated by Dynegy in Downstate Illinois, within MISO Zone 4, employ a total of about 1,380 employees, including about 774 union positions. These plants are estimated to support a total of over 9,000 direct and indirect jobs through the use of contractors and the purchase of materials, supplies and services. They support total annual economic activity of about $2.4 billion, annual household earnings of about $655 million, sales tax revenue for the State of Illinois and local communities of about $39 million per year, and local

property tax payments of about $22.5 million per year. The direct and indirect economic impacts of these plants and associated retail sales affect more than 80 Illinois counties.

About two years ago, the IBEW International Union presented comments at an ICC Policy Session on resource adequacy in Downstate Illinois. At that time, Dynegy had just announced the retirement of Units 4 and 5 at its Wood River Power Station in Madison County, which provided a total of 465 MW of generating capacity (and at which IBEW represented workers). Dynegy had stated that the retirement decision was due to the insufficient revenues provided for the plant by the current capacity market construct in MISO Zone 4. At that time, the IBEW was deeply concerned about the prospects for additional retirements of Downstate power plants, including both additional Dynegy plants and Exelon's Clinton Power Station. Fortunately, the General Assembly, based significantly on a study and report co-authored by this Commission that detailed the severe negative effects of the closure of the Clinton plant, enacted legislation that will enable the Clinton plant to continue in operation well into the future and preserve the jobs, economic activity and local government financial support that the plant provides. Unfortunately, the situation faced by other Downstate generating plants has been ignored by policymakers, with the result that Dynegy has also retired Newton Unit 2, representing 617 MW of generating capacity; has mothballed Baldwin Unit 3, a 600 MW unit, with every indication being that it will not be returned to service; and has indicated publicly that as much as 2,500 to 3,000 MW of additional generation at its Downstate power plants is at risk of closure due to the state of the MISO capacity market for Zone 4. This loss of generation would represent approximately 25% to 30% of the MISO Zone 4 generation, on top of the 20% that has been retired since 2015.

The IBEW wants one factor to be clearly understood: from the perspective of the men and women who operate and maintain these power plants and are in them every day, these are outstanding machines. Some of them may be approaching 45 or 50 years of age, but they are not ready for retirement for physical reasons. They have been well maintained, and many retrofits and upgrades have been made over the years, both to comply with environmental requirements and to maintain the power generation systems for continued, efficient operations. These plants continue to be capable of efficiently producing hundreds of millions of low-cost kilowatt-hours for consumers every year. The IBEW does also support renewable energy generation and the jobs provided by the development of renewables projects. However, following the completion of construction, renewable generation projects provide very few full-time jobs and, and nowhere near the jobs and benefits provided by the operation of coal and nuclear generating plants.

Due to the retirements and mothballing of the Dynegy plants to date, including the previous retirements of the Vermilion Power Station and units at the Wood River and Havana Stations, as well as the much more recent shutdowns of Wood River 4 and 5, Newton Unit 2, and Baldwin Unit 3, approximately 350 jobs have been lost, including about 200 union positions. In addition to the direct and indirect employment and economic impacts of plant closures described earlier, another important impact of the previous and potential future plant retirements, that IBEW has not seen discussed, is the loss of experienced operating personnel to the energy industry. It has been well-documented that the U.S. electric industry (and natural gas industry) faces a looming crisis of lack of trained, experienced operating personnel. This is because many long-term, experienced employees are retiring or approaching retirement age and there are not enough younger workers entering the industry to replace them. When workers at power stations in more remote areas like Downstate Illinois lose their jobs due to plant closures, they often leave the industry entirely. They are faced with a choice between finding another, different job in the area, one which typically pays less and does not fully utilize their years of experience and expertise in power plant operations; or,

uprooting their families to move away, often to another State, in search of a comparable job at another power generating facility.

The cause of these power plant retirements and closures that have occurred and the additional power plant closures that are almost certain to occur in Downstate Illinois, if the status quo continues, is the inadequate and erratic capacity prices that are produced by MISO's capacity market mechanisms in MISO Zone 4 that comprises Downstate Illinois. Capacity prices produced by the MISO PRA Auction have varied from $150 per MW-Day to $72 per MW-Day to $1.50 per MW-Day over the last three years, which are very substantial year-to-year swings and do not represent stable prices that would enable an existing generator to continue in operation let alone make additional investments in these plants to improve their efficiencies of operation. The IBEW does want to commend MISO for its efforts to address this situation, first, by filing its proposed MISO Competitive Retail Solution for approval by the Federal Energy Regulatory Commission – which, unfortunately, the FERC denied – and subsequently, for reaching out to Governor Rauner and the four Illinois Legislative leaders to both make them aware of the problem and to offer to work with them to develop an Illinois-specific solution to the problem. The IBEW also wants to commend all the parties for asking the ICC to initiate this inquiry into the problem and potential solutions. However, a workable solution still needs to be developed and implemented.

Some have argued that there is no resource adequacy or capacity pricing problem in Downstate Illinois, and therefore no need for policymakers to take any actions. There are several problems with this position. First, the current capacity construct in MISO (that is, all of MISO, virtually all of which, unlike Downstate Illinois, is served by traditional, vertically-integrated, cost of service-regulated utilities) values generation capacity up to and only up to the required minimum amount, that is, projected load plus the specified reserve margin, in the very near-term future – one year ahead. There is no value assigned for capacity above this amount, even though the additional capacity may in fact be needed to serve demand above the projected amount, or demand in future years. This drives purportedly excess capacity in Downstate Illinois, that was built to serve customers in Downstate Illinois, into retirement because it is unable to secure adequate revenues. At the same time, the current capacity construct enables out-of-state utilities to sell excess capacity into Illinois at low prices on a short-term basis, with no commitment to serve Downstate Illinois on a long-term basis. This is not a level playing field. The members of the IBEW and of other unions operating Downstate Illinois power plants deserve a level playing field.

Second, when generating plants that are low-cost producers of <u>energy</u> are retired because they cannot obtain adequate <u>capacity</u> payments in the MISO capacity market construct, consumers and the region lose the benefit of the substantial amounts of low-cost <u>energy</u> that these plants can produce. Therefore, in analyzing the impact on electricity prices of potential solutions as compared to the status quo, one must consider not just the potential upward impact on capacity prices but also the potential long-term upward impacts on <u>energy</u> prices paid by consumers if efficient producers of low-cost volumes of energy are forced to retire.

Third, one must fully understand what generation is currently in the Downstate region and what load it is committed (or not committed) to serve. For example, Dynegy's Joppa plant in Massac County in far southern Illinois, on the Ohio River across from Kentucky, is not physically or electrically located within MISO and is interconnected to other markets. Although Joppa is counted as a Zone 4 resource is many analyses of the load and capacity situation in Zone 4, its capacity and energy can readily be sold into the TVA region or other markets if those other markets provide better pricing opportunities. Another significant component of the generating capacity in

MISO Zone 4 is the Prairie State Energy Campus in Washington County, which is owned by and whose capacity and output is committed to a number of public power entities (municipal utilities) and electric cooperatives. Some of these entities are located in the PJM region of northern Illinois and others are located in a total of eight other states (and in some cases, served through pseudo-ties), so these shares of the power station's capacity are not committed to serving load in Downstate Illinois. Further, other generation physically located in MISO Zone 4 is either contractually obligated to serve load outside of Zone 4, or is sold outside of Downstate Illinois for commercial reasons.

Fourth, the asserted resource sufficiency in Zone 4, as presented for example in the most recent Organization of MISO States Survey, simply ignores the substantial amount of Dynegy generating capacity that is at risk of closure. Simply put, there may be sufficient generating capacity in Zone 4 to meet the projected load plus MISO's specified planning reserve margin *if* you count the Dynegy generation that is at risk of closure for economic reasons; but if and as those generating units start to be retired or shut down, the apparent "surplus" of capacity would quickly turn into a deficit. If and when that occurs, it may be possible to "keep the lights on," through power imports from other regions, but the price impacts will very likely be severe. As the at-risk generators are taken out of operation, the remaining system generating capacity will fall below the MISO reserve margin, and capacity prices will go to the ceiling under the MISO Tariff, referred to as Cost of New Entry or CONE. This price level is intended to represent the cost to construct new generating capacity to meet the peak demand plus reserve. Currently, CONE per the MISO Tariff is $260 per MW-Day, which is far in excess of the clearing price in the 2017 MISO PRA for 2017 of $1.50 per MW-Day and even well in excess of the $150 per MW-Day clearing price in the 2015 MISO PRA, which is the highest recent capacity price produced in the MISO PRA.

It has also been asserted that changes to the MISO capacity market for Zone 4 will produce substantial and unacceptable electricity price increases to Zone 4 retail consumers. Although the IBEW is not in a position to develop detailed price impact estimates for various potential solutions, the IBEW notes that as recently as 2015, the MISO PRA clearing price was $150 per MW-Day. This is 100 times the 2017 MISO PRA clearing price of $1.50 per MW-Day. In other words, even of a change to the Zone 4 capacity market construct produced significant increases in capacity prices from the 2017-2018 level, the capacity prices would likely not rise above levels that customers in Zone 4 have recently paid. Further, the cost of capacity is only one component of the total delivered price of electricity to retail customers. As IBEW's comments previously noted, any analysis of continuing the status quo must also take into account the potential upward impacts on energy prices that would result from the retirement of efficient, low-cost generators. In any event, if capacity prices clear at CONE as discussed above, and more low-cost producers of energy are shut down, the cost of doing nothing will likely be far worse than the cost of a measured and balanced solution.

In conclusion, changes to the Zone 4 capacity market that the IBEW suggested before the ICC in 2015 remain viable and should be considered. These include moving to a three-year forward capacity acquisition construct, rather than one year forward; and implementing a long-term capacity procurement process for the Ameren Illinois service area under the auspices of the Illinois Power Agency. IBEW also notes that it would support moving all of Illinois into PJM, which operates more comprehensive and better functioning capacity markets than does MISO. However, the key attributes of change that the IBEW supports are embodied in Illinois Senate Bill 2250 and identical House Bill 4141, which the IBEW International Union and its Local Unions 51 and 702 fully endorse. These bills would require a three-year forward capacity acquisition construct; would require all capacity to be used by load-serving entities to serve retail customers

in the Ameren Illinois service area to be procured through procurement events conducted by the IPA subject to final approval of the ICC, thereby creating a deep and comprehensive competitive capacity market for the region; would establish a transparent capacity procurement planning process that will be open to public comment and to public participation through docketed ICC proceedings; would allow all generation resources, including nuclear, coal, natural gas, wind, solar, other renewables, and demand response to participate, subject to MISO's requirements to qualify as a capacity resource; would result in all capacity needed by load-serving entities to serve retail customers in the Ameren Illinois territory to be procured through a competitive bidding process; and would preserve the ability of alternative retail electricity suppliers in Zone 4 to provide competitive service offerings to retail customers. The IBEW endorses this legislation, the solutions it will provide to the broken MISO Zone 4 capacity construct, and the benefits it will provide to Downstate Illinois.